

## Message Text

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PAGE 01 QUITO 03197 112225Z  
ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 ISO-00 SOE-02 AID-05 CEA-01  
CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 AF-10 EA-10  
NEA-11 OIC-02 /171 W  
-----075439 121154Z /43

R 112150Z MAY 78  
FM AMEMBASSY QUITO  
TO SECSTATE WASHDC 8214  
INFO AMEMBASSY PARIS  
AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3197

E.O. 11652: GDS  
TAGS: EINV, EMIN, ENRG, EC  
SUBJECT: NO FORWARD MOVEMENT IN PROPOSED NORTHWEST/FRENCH/GOE  
NATURAL GAS CONSORTIUM

REF: QUITO 2865

1. THE RECENT MEETING IN PARIS BETWEEN REPRESENTATIVES OF THE U.S. FIRM NORTHWEST (NW) AND A FRENCH GROUP INTERESTED IN DEVELOPING THE NATURAL GAS RESERVES IN THE GULF OF GUAYAQUIL IN CONJUNCTION WITH NW (SEE REFTEL) PRODUCED FEW IF ANY POSITIVE RESULTS.
2. THE TWO GROUPS MET FOR A BRIEF MORNING SESSION DURING WHICH NW WAS SOMEWHAT TAKEN ABACK BY THE FRENCH GROUP'S ATTITUDE THAT NW SHOULD BE ANXIOUS TO MAKE A DEAL AND THAT NW SHOULD TAKE THE LEAD IN MAKING PROPOSALS; NW HAD EXPECTED THE FRENCH FIRMS TO BE MUCH MORE FORTHCOMING. AT THE CONCLUSION OF THE MORNING MEETING, ANOTHER ROUND OF DISCUSSIONS WAS SCHEDULED FOR THAT AFTERNOON.

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3. SOON AFTERWARDS ON THAT SAME DAY THE NW OFFICIALS APPARENTLY ACCIDENTALLY ENCOUNTERED IN THEIR HOTEL GOE NATURAL RESOURCES MINISTER EDUARDO SEMBLANTES AND THE GOE'S COORDINATOR OF THE MINISTRY'S PETROLEUM POLICY ADVISORY COMMISSION, RENE ORTIZ, WHO WERE ON THEIR WAY TO THE OPEC CONFERENCE IN SAUDI ARABIA. DURING THE BRIEF CONVERSATION, THE GOE OFFICIALS EVIDENTLY WERE ABLE

TO SURMISE THE PURPOSE OF NW'S VISIT TO FRANCE.

4. NW LATER RECEIVED A CALL FROM THE FRENCH GROUP, WHO ASKED FOR A FEW HOURS' POSTPONEMENT OF THE AFTERNOON MEETING. DURING THE DISCUSSIONS THAT AFTERNOON, NW RECEIVED THE IMPRESSION THAT THE GOE OFFICIALS HAD MET EARLIER THAT AFTERNOON WITH THE FRENCH.

5. THE FRENCH COMPANIES WERE VERY NON-COMMITTAL WITH NW DURING THE AFTERNOON SESSION, CONCLUDING THAT THERE WAS NOT ANY REASON FOR FURTHER NEGOTIATIONS UNLESS THE GOE AND NW COULD REACH AN AGREEMENT ON DEVELOPING THE NATURAL GAS RESERVES.

6. THERE ARE NO CURRENT PLANS FOR FUTURE DISCUSSIONS BETWEEN NW AND THE FRENCH, AND THE MATTER REMAINS IN LIMBO. NW IS THINKING OF SENDING A LETTER TO SEMBLANTES REITERATING NW'S RIGHTS UNDER THE 1975 GOE/NW CONTRACT. THE ATTRACTIVENESS TO THE GOE OF THE FRENCH OFFER IS TEMPERED BY THE MINIMAL TEN PERCENT EQUITY CAPITAL THAT THE FRENCH ARE WILLING TO PUT INTO AN AMMONIA/UREA COMPLEX.

7. NW ALSO BELIEVES THAT SEMBLANTES' END-OF-MAY DEADLINE TO NW/CEPE (STATE PETROLEUM CORPORATION) TO COME UP WITH AN ACCEPTABLE GAS DEVELOPMENT SCHEME WILL NECESSARILY BE EXTENDED BECAUSE SEMBLANTES IS NOT DUE BACK FROM HIS CONFIDENTIAL

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FOREIGN TRIP UNTIL MAY 16. ANOTHER REASON FOR A LIKELY EXTENSION IS THAT NW INTENDS TO ASK FOR A WRITTEN GOE STATEMENT SPELLING OUT THE GOE'S OBJECTIONS AND ALTERNATIVE PROPOSALS TO GHE GAS DEVELOPMENT SCHEME THAT NW SUBMITTED IN EARLY MARCH. THUS FAR THE GOE HAS EXPRESSED ONLY VERBAL OPPOSITION TO NW'S PLAN, AND HAS NOT STATED ANY CONCRETE COUNTER-PROPOSALS.  
CORR

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NNN

## Message Attributes

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**Disposition Approved on Date:**  
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